# Canadian Housing Markets

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# Improved economic outlook not enough to revive residential construction activity this year

*Although the world financial crisis has ended and the economic outlook has improved, it will take longer for census metropolitan areas (CMAs) to resume cruising speed. Housing starts overall in CMAs will decline by 1.2 per cent in 1999 as a result of weaker economic growth in several regions of the country. Most of the losses will come in British Columbia, rocked by the Asian crisis and a drop in the prices of raw materials, and in Alberta, which will have less interprovincial migration. CMAs will make significant gains in Ontario, notably Toronto, and in Quebec and the Atlantic region. Resales should maintain. Sales will remain close to the record levels of 1997, and prices will rise faster than inflation in several major centres.*

The short-term outlook for the Canadian economy has improved now that the fears associated with the world financial crisis appear to have abated. However, weaker economic growth can be expected, along with lower job creation in most major urban centres. Furthermore, housing markets will not be able to rely on international migration to make up for lower natural population growth. Although the Asian economies have recovered, we will have to wait until beyond this year to see whether international immigration approaches the objective of 180,000 persons a year.

However, several other factors will attenuate the consequences of slower growth and boost housing markets. For starters, American consumers show a considerable appetite for imported products. As a result, the booming U.S. economy is keeping exports at high levels and is acting as an important stabilizing factor for several major Canadian centres. In addition, the current exchange rate enables Canadian producers to remain competitive and maintain access to this market; this would still be the case even if the dollar appreciated in value.

The rebound of raw material prices is good news for several western centres. The demand for wood in Asia and the rise of oil prices, in particular, will forestall significant job losses in several of these centres. Consumer confidence, which was seriously shaken last year by the drop in the value of the dollar and the upheaval in the stock markets, has also returned to levels attained before the financial crisis. Mortgage rates are another factor contributing to this feeling of security. If these rates remain at current levels through 1999 and 2000, they too will maintain the confidence of potential purchasers.

## Toronto area is booming

Prosperity continues for the economies in southern Ontario, as noted in our fourth quarter issue. These economies, which receive more than their share of international and interprovincial migration, have made enviable gains in job creation and will be among the strongest areas in the country for real estate activity. In Toronto, housing starts for single and multiple housing will rise 19.6 per cent, to reach 31,000 units.

### Highlights of the forecast

- ***Housing starts in major urban centres will decrease by 1.2 per cent in 1999, after a decrease of 1.4 per cent in 1998.***
- ***Single and multiple units will both drop.***
- ***Transactions involving existing housing will remain stable after two eventful years.***
- ***The prices of existing housing are continuing to climb in most CMAs as a result of tighter market conditions.***
- ***British Columbia and the Prairies will sustain most of the losses, while Toronto, Montréal and the Atlantic region will make appreciable gains.***





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These positive developments will also affect the resale market. Transactions will rebound by 3 per cent and prices by close to 4 per cent, reflecting a sustained demand and a relatively weak supply. Several informal sources attest to the vigor of the existing market in Toronto, and it would not be unrealistic to expect higher figures in this area.

Ottawa's market has recently picked up steam and housing starts are now expected to rise by 10.9 per cent, a level higher than expected in our previous forecast. MLS sales will also climb, by 3.9 per cent.

Other centres close to Toronto will record significant increases in housing activity. The number of housing starts in Hamilton and Oshawa will increase by more than 10 per cent in 1999.

However, the markets for new and existing homes will both record losses this year in Windsor, London and Kitchener. Fewer migrants will slow down activity in London. Kitchener will post increased single-detached starts figures in 1999, despite slightly lower total starts. Despite lower activity, the Windsor market remains very active as a result of automotive-related investments over the past years.

### Montréal doing well; picture less certain elsewhere in Quebec

Housing activity in the Montréal market will improve significantly this year. The number of housing starts is expected to rise by close to 7 per cent, and the number of existing housing transactions should dip slightly after several record years. Because the existing housing market is better balanced, the price of this housing will climb by about 3 per cent. This year, residential real estate has rebounded very well after a difficult period in the early 1990s. Commercial and industrial real estate are also piggybacking on this trend.

Except in Sherbrooke, where housing starts are up 3.4 per cent, major centres in Quebec will incur losses—12.4 per cent in Chicoutimi-Jonquière, 7.6 per cent in Hull and 2.4 per cent in Québec. Sales of existing housing will be up by 3.0 per cent in Trois-Rivières and 5.4 per cent in Sherbrooke, but down by 3.2 per cent in Quebec City and by 2.4 per cent in Chicoutimi-Jonquière. Market stability is the order of the day outside Montréal.

### Things looking up in the Atlantic region

All major centres in the Atlantic region will advance significantly. Housing starts in Saint John will surge by 26 per cent. In Halifax, the momentum generated by the Sable Island project and non-residential contruction spinoffs have paved the way for a housing starts rebound this year. Residential construction should reach 2,250 units, a 29.4 per cent increase. Further east, St. John's will record increases of 8.0 per cent and Charlottetown of 11.3 per cent.

### An inevitable slowdown in Alberta

Housing activity in Alberta has been stymied by a lower level of migration to the province than in previous years, as well as by a slowdown in oil exploration activity. These factors will combine to reduce housing starts by 10.0 per cent in Edmonton and by 22.4 per cent in Calgary. Even with these substantial declines, the level of activity is still higher than was recorded in the early 1990s. Activity in the resale market in both cities will also be down, by 5.3 per cent in Edmonton and 6.0 per cent in Calgary. As a result, prices will not rise as quickly this year.

One promising development for housing in these two major centres in the coming months is the recovery of prices for crude oil. Fewer layoffs than previously anticipated in the exploration sector would prevent an erosion in the demand for housing.

Activity in Manitoba and Saskatchewan is mixed. An increase of 7.1 per cent in the number of housing starts in Regina will be more than offset by the 14.7 per cent decline in activity in Saskatoon and by the 1.7 per cent drop in Winnipeg. A similar situation prevails with respect to existing housing transactions. Saskatoon and Winnipeg will record declines respectively of 6.4 per cent and 1.5 per cent, while Regina's figure will rise 4.6 per cent.

### British Columbia: Not out of the woods yet

The recovery of Asian economies comes as great news to the B.C. economy, but far more is needed to awaken the slumbering housing market. The sluggishness of international immigration and interprovincial outmigration to Alberta and Ontario has eroded the primary contributor to demand. Moreover, structural difficulties in the industry have undermined the confidence of consumers and disrupted demand for new housing. On top of these events, it is taking an especially long time for the economy to regain strength. All these factors will affect housing significantly.

In Vancouver, construction activity will decline by 36 per cent, after a 25 per cent drop last year. This decline will come mainly in multiple housing, particularly condominiums. Housing starts for individual houses will decrease by 11 per cent. By contrast, Victoria is getting back on its feet a little more quickly. Housing starts are expected to stabilize in 1999 after a slide of more than 25 per cent last year.

The resale market in both cities appears to be healthier. Although prices will decline again this year, transactions will increase by 1.4 per cent in Victoria and 7.9 per cent in Vancouver. ■

## Local Housing Market Indicators

| Census Metropolitan Areas (CMA) | | Total employment | yr/yr % change | Total housing starts | yr/yr % change | New house price index*** % change | Single housing starts | yr/yr % change | Average single new house price $ | yr/yr % change | Number of MLS* sales (Res.) | yr/yr % change | MLS Single detached average price $ | yr/yr % change | 3 Unit + apt. structures vacancy rates October % |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Victoria | 1997 | 151,600 | | 1,311 | | -3.0 | 609 | | 314,950 | | 5,435 | | 248,245 | | 3.5 |
| | 1998 | 150,500 | -0.7 | 964 | -26.5 | -5.6 | 520 | -14.6 | 325,000 | 3.2 | 4,605 | -15.3 | 246,014 | -0.9 | 3.8 |
| | 1999** | 151,100 | 0.4 | 965 | 0.1 | -8.0 | 495 | -4.8 | 320,000 | -1.5 | 4,670 | 1.4 | 232,000 | -5.7 | 3.5 |
| Vancouver | 1997 | 940,900 | | 15,950 | | -3.2 | 4,685 | | 511,250 | | 25,901 | | 378,881 | | 1.7 |
| | 1998 | 960,300 | 2.1 | 11,878 | -25.5 | -5.0 | 3,373 | -28.0 | 470,541 | -8.0 | 19,041 | -26.5 | 357,029 | -5.8 | 2.7 |
| | 1999** | 973,000 | 1.3 | 7,500 | -36.9 | -4.0 | 3,000 | -11.1 | 447,000 | -5.0 | 20,550 | 7.9 | 345,000 | -3.4 | 3.5 |
| Edmonton | 1997 | 475,100 | | 4,962 | | 1.8 | 3,685 | | 159,233 | | 13,016 | | 123,357 | | 4.6 |
| | 1998 | 480,900 | 1.2 | 5,947 | 19.9 | 3.4 | 4,080 | 10.7 | 171,360 | 7.6 | 13,726 | 5.5 | 128,290 | 4.0 | 1.9 |
| | 1999** | 485,400 | 0.9 | 5,350 | -10.0 | 3.0 | 3,600 | -11.8 | 180,000 | 5.0 | 13,000 | -5.3 | 132,500 | 3.3 | 2.0 |
| Calgary | 1997 | 466,100 | | 11,215 | | 1.0 | 8,656 | | 179,953 | | 21,559 | | 151,541 | | 0.5 |
| | 1998 | 490,100 | 5.1 | 12,495 | 11.4 | 7.7 | 9,219 | 6.5 | 192,684 | 7.1 | 20,554 | -4.7 | 167,422 | 10.5 | 0.6 |
| | 1999** | 505,100 | 3.1 | 9,700 | -22.4 | 2.6 | 7,000 | -24.1 | 198,000 | 2.8 | 18,500 | -10.0 | 174,300 | 4.1 | 1.5 |
| Saskatoon | 1997 | 112,200 | | 1,187 | | 2.0 | 709 | | 179,282 | | 3,153 | | 98,270 [a] | | 0.9 |
| | 1998 | 113,300 | 1.0 | 1,137 | -4.2 | 2.2 | 692 | -2.4 | 165,165 | -7.9 | 2,993 | -5.1 | 103,156 [a] | 5.0 | 0.8 |
| | 1999** | 114,000 | 0.6 | 970 | -14.7 | 1.3 | 500 | -27.7 | 155,000 | -6.2 | 2,800 | -6.4 | 106,000 [a] | 2.8 | 1.0 |
| Regina | 1997 | 102,000 | | 516 | | 3.6 | 370 | | 147,368 | | 2,926 | | 82,643 [a] | | 1.5 |
| | 1998 | 107,500 | 5.4 | 537 | 4.1 | 4.2 | 468 | 26.5 | 151,803 | 3.0 | 2,868 | -2.0 | 85,029 [a] | 2.9 | 1.7 |
| | 1999** | 108,000 | 0.5 | 575 | 7.1 | 3.4 | 500 | 6.8 | 155,000 | 2.1 | 3,000 | 4.6 | 87,500 [a] | 2.9 | 2.0 |
| Winnipeg | 1997 | 352,300 | | 1,632 | | 1.4 | 1,283 | | 152,422 | | 10,042 | | 86,040 [a] | | 5.9 |
| | 1998 | 361,900 | 2.7 | 1,577 | -3.4 | 0.8 | 1,192 | -7.1 | 161,314 | 5.8 | 9,748 | -2.9 | 86,838 [a] | 0.9 | 4.0 |
| | 1999** | 366,900 | 1.4 | 1,550 | -1.7 | 0.7 | 1,150 | -3.5 | 166,476 | 3.2 | 9,600 | -1.5 | 87,250 [a] | 0.5 | 3.8 |
| Thunder Bay | 1997 | 61500 | | 266 | | -0.6 | 184 | | 177,792 | | 1,431 | | 111,608 [a] | | 7.7 |
| | 1998 | 59200 | -3.7 | 224 | -15.8 | -2.3 | 161 | -12.5 | 170,845 | -3.9 | 1,311 | -8.4 | 110,099 [a] | -1.4 | 9.3 |
| | 1999** | 62000 | 4.7 | 245 | 9.4 | -1.5 | 185 | 14.9 | 169,137 | -1.0 | 1,376 | 5.0 | 109,000 [a] | -1.0 | 7.5 |
| Sudbury | 1997 | 78,700 | | 281 | | -0.6 | 242 | | 166,747 | | 1,901 | | 108,520 [a] | | 7.2 |
| | 1998 | 78,100 | -0.8 | 165 | -41.3 | -2.3 | 161 | -33.5 | 168,470 | 1.0 | 1,693 | -10.9 | 109,621 [a] | 1.0 | 9.4 |
| | 1999** | 78,800 | 0.9 | 180 | 9.1 | -1.5 | 170 | 5.6 | 169,000 | 0.3 | 1,750 | 3.4 | 109,750 [a] | 0.1 | 7.5 |
| Windsor | 1997 | 133,400 | | 2,102 | | 3.6 | 1,574 | | 189,100 | | 5,045 | | 124,631 [e] | | 4.5 |
| | 1998 | 138,100 | 3.5 | 1,938 | -7.8 | 0.3 | 1,355 | -13.9 | 189,077 | 0.0 | 5,016 | -0.6 | 130,497 [e] | 4.7 | 4.3 |
| | 1999** | 140,800 | 2.0 | 1,730 | -10.7 | 0.8 | 1,300 | -4.1 | 190,970 | 1.0 | 4,940 | -1.5 | 133,370 [e] | 2.2 | 4.0 |
| London | 1997 | 210,400 | | 1,807 | | 0.9 | 1,309 | | 179,761 | -3.2 | 6,269 | | 130,534 [e] | | 5.1 |
| | 1998 | 210,200 | -0.1 | 2,027 | 12.2 | 0.4 | 1,309 | 0.0 | 180,733 | 0.5 | 6,416 | 2.3 | 129,706 [e] | -0.6 | 4.5 |
| | 1999** | 213,700 | 1.7 | 1,815 | -10.5 | 1.1 | 1,195 | -8.7 | 182,500 | 1.0 | 6,300 | -1.8 | 130,750 [e] | 0.8 | 4.1 |
| Kitchener | 1997 | 204,900 | | 2,171 | | 0.8 | 1,539 | | 175,203 | -0.6 | 4,307 | | 141,387 [e] | | 1.9 |
| | 1998 | 212,400 | 3.7 | 2,549 | 17.4 | 2.1 | 1,759 | 14.3 | 184,796 | 5.5 | 4,365 | 1.3 | 143,104 [e] | 1.2 | 1.5 |
| | 1999** | 222,000 | 4.5 | 2,500 | -1.9 | 1.4 | 1,900 | 8.0 | 187,000 | 1.2 | 4,350 | -0.3 | 145,000 [e] | 1.3 | 1.3 |
| St. Catharines-Niagara | 1997 | 161,900 | | 1,462 | | 3.9 | 1,007 | | 175,519 | -4.0 | 2,849 | | 125,109 | | 5.4 |
| | 1998 | 170,700 | 5.4 | 1,319 | -9.8 | 2.9 | 996 | -1.1 | 184,968 | 5.4 | 3,074 | 7.9 | 129,499 | 3.5 | 4.6 |
| | 1999** | 175,100 | 2.6 | 1,370 | 3.9 | 3.2 | 957 | -3.9 | 183,500 | -0.8 | 3,100 | 0.8 | 134,500 | 3.9 | 4.1 |
| Hamilton | 1997 | 315,000 | | 3,698 | | 4 | 2,239 | | 211,321 | | 9,972 | | 151,538 [a] | | 3.1 |
| | 1998 | 329,000 | 4.4 | 3,627 | -1.9 | 3.2 | 1,736 | -22.5 | 216,270 | 2.3 | 10,017 | 0.5 | 153,628 [a] | 1.4 | 3.2 |
| | 1999** | 332,000 | 0.9 | 4,000 | 10.3 | 2.0 | 1,900 | 9.4 | 230,000 | 6.3 | 10,300 | 2.8 | 157,000 [a] | 2.2 | 2.8 |
| Toronto | 1997 | 2,246,000 | | 25,569 | | 2.2 | 14,203 | | 288,410 | -3.5 | 58,014 | | 211,306 [a] | | 0.8 |
| | 1998 | 2,330,000 | 3.7 | 25,910 | 1.3 | 3.0 | 12,696 | -10.6 | 286,445 | -0.7 | 55,344 | -4.6 | 216,814 [a] | 2.6 | 0.8 |
| | 1999** | 2,400,000 | 3.0 | 31,000 | 19.6 | 1.5 | 14,000 | 10.3 | 292,174 | 2.0 | 57,000 | 3.0 | 225,000 [a] | 3.8 | 0.9 |
| Oshawa | 1997 | 135,351 | | 2,064 | | | 1,736 | | 184,320 | 0.5 | | | | | 2.4 |
| | 1998 | 139,830 | 3.3 | 1,759 | -14.8 | | 1,400 | -19.4 | 196,257 | 6.5 | | | | | 2.0 |
| | 1999** | 144,230 | 3.1 | 1,940 | 10.3 | | 1,550 | 10.7 | 205,000 | 4.5 | | | | | 1.5 |
| Ottawa | 1997 | 403,700 | | 3,485 | | 0.7 | 2,053 | | 186,534 | -0.3 | 9,427 | | 154,500 [b] | | 4.2 |
| | 1998 | 418,100 | 3.6 | 3,615 | 3.7 | 0.6 | 2,248 | 9.5 | 197,708 | 6.0 | 9,547 | 1.3 | 155,600 [b] | 0.7 | 2.1 |
| | 1999** | 428,700 | 2.5 | 4,010 | 10.9 | 0.9 | 2,430 | 8.1 | 203,837 | 3.1 | 9,920 | 3.9 | 158,540 [b] | 1.9 | 2.0 |
| Hull | 1997 | 148,600 | | 1,262 | | | 638 | | 126,829 | | 2,071 | | 95,266 [c] | | 9.4 |
| | 1998 | 150,320 | 1.2 | 1,244 | -1.4 | | 687 | 7.7 | 129,268 | 1.9 | 2,306 | 11.3 | 95,514 [c] | 0.3 | 6.7 |
| | 1999** | 152,200 | 1.3 | 1,150 | -7.6 | | 680 | -1.0 | 132,000 | 2.1 | 2,410 | 4.5 | 97,500 [c] | 2.1 | 5.9 |

## Local Housing Market Indicators (continued)

| Census Metropolitan Areas (CMA) | | Total employment | yr/yr % change | Total housing starts | yr/yr % change | New house price index*** % change | Single housing starts | yr/yr % change | Average single new house price $ | yr/yr % change | Number of MLS* sales (Res.) | yr/yr % change | MLS Single detached average price $ | yr/yr % change | 3 Unit + apt. structures vacancy rates October % |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Montréal | 1997 | 1,590,600 | | 10,508 | | 0.0 | 5,203 | | 132,365 | 0.0 | 24,653 | | 118,197 [a] | | 5.9 |
| | 1998 | 1,636,650 | 2.9 | 10,291 | -2.1 | 0.0 | 5,657 | 8.7 | 143,255 | 8.2 | 25,254 | 2.4 | 122,442 [a] | 3.6 | 4.7 |
| | 1999** | 1,666,650 | 1.8 | 11,000 | 6.9 | 2.0 | 5,800 | 2.5 | 149,000 | 4.0 | 24,800 | -1.8 | 126,000 [a] | 2.9 | 4.3 |
| Trois-Rivières | 1997 | 61,000 | | 554 | | | 242 | | 92,800 | | 678 | | 75,700 | | 8.6 |
| | 1998 | 62,000 | 1.6 | 599 | 8.1 | | 233 | -3.7 | 93,000 | 0.2 | 757 | 11.7 | 77,400 | 2.2 | 8.5 |
| | 1999** | 63,000 | 1.6 | 530 | -11.5 | | 230 | -1.3 | 93,500 | 0.5 | 780 | 3.0 | 78,500 | 1.4 | 8.4 |
| Sherbrooke | 1997 | 65,600 | | 756 | | | 419 | | 106,400 | | 951 | | 88,000 [a] | | 7.5 |
| | 1998 | 66,430 | 1.3 | 590 | -22.0 | | 329 | -21.5 | 94,900 | -10.8 | 1,044 | 9.8 | 91,400 [a] | 3.9 | 7.3 |
| | 1999** | 67,300 | 1.3 | 610 | 3.4 | | 350 | 6.4 | 99,000 | 4.3 | 1,100 | 5.4 | 94,000 [a] | 2.8 | 6.5 |
| Québec | 1997 | 319,400 | | 2,233 | | -0.4 | 1,247 | | 95,850 | | 5,276 | | 86,727 | | 6.3 |
| | 1998 | 335,800 | 5.1 | 1,845 | -17.4 | 0.6 | 1,108 | -11.1 | 96,400 | 0.6 | 5,112 | -3.1 | 85,841 | -1.0 | 5.2 |
| | 1999** | 340,800 | 1.5 | 1,800 | -2.4 | 0.6 | 1,100 | -0.7 | 97,000 | 0.6 | 4,950 | -3.2 | 85,500 | -0.4 | 4.8 |
| Chicoutimi-Jonquière | 1997 | 64,900 | | 500 | | | 335 | | 84,446 | | 1,419 | | 75,200 [d] | | 4.1 |
| | 1998 | 65,600 | 1.1 | 502 | 0.4 | | 331 | -1.2 | 93,600 | 10.8 | 1,394 | -1.8 | 75,700 [d] | 0.7 | 4.8 |
| | 1999** | 66,400 | 1.2 | 440 | -12.4 | | 305 | -7.9 | 94,000 | 0.4 | 1,360 | -2.4 | 76,000 [d] | 0.4 | 5.0 |
| Saint John | 1997 | 56,800 | | 234 | | -3.2 | 175 | | 123,819 | | 1,274 | | 86,171 [a] | | 8.2 |
| | 1998 | 59,600 | 4.9 | 278 | 18.8 | -2.3 | 216 | 23.4 | 125,557 | 1.4 | 1,353 | 6.2 | 87,087 [a] | 1.1 | 7.3 |
| | 1999** | 61,800 | 3.7 | 350 | 25.9 | 0.4 | 275 | 27.3 | 137,500 | 9.5 | 1,425 | 5.3 | 88,200 [a] | 1.3 | 6.8 |
| Halifax | 1997 | 173,400 | | 2,065 | | -2.4 | 1,385 | | 134,117 | | 5,072 | | 109,827 [a] | | 7.7 |
| | 1998 | 179,100 | 3.3 | 1,739 | -15.8 | 0.8 | 1,125 | -18.8 | 156,366 | 16.6 | 5,129 | 1.1 | 114,024 [a] | 3.8 | 5.5 |
| | 1999** | 181,000 | 1.1 | 2,250 | 29.4 | -1.0 | 1,250 | 11.1 | 160,000 | 2.3 | 5,200 | 1.4 | 116,000 [a] | 1.7 | 5 |
| St. John's | 1997 | 79,300 | | 932 | | -2.1 | 522 | | 125,300 | | 2,080 | | 92,797 [a] | | 16.6 |
| | 1998 | 81,600 | 2.9 | 741 | -20.5 | -1.3 | 475 | -9.0 | 133,650 | 6.7 | 2,131 | 2.5 | 92,560 [a] | -0.3 | 15.4 |
| | 1999** | 83,600 | 2.5 | 800 | 8.0 | 1.0 | 550 | 15.8 | 135,000 | 1.0 | 2,100 | -1.5 | 93,500 [a] | 1.0 | 14.5 |
| Charlottetown | 1997 | 18,100 | | 231 | | 0.3 | 187 | | 119,400 | | 360 | | 97,266 [a] | | 4.1 |
| | 1998 | 17,680 | -2.3 | 247 | 6.9 | -2.0 | 154 | -17.6 | 120,850 | 1.2 | 336 | -6.7 | 93,968 [a] | -3.4 | 6.1 |
| | 1999** | 17,800 | 0.7 | 535 | 2.1 | 1.0 | 175 | 13.6 | 122,000 | 1.0 | 320 | -4.8 | 96,000 [a] | 2.2 | 7.2 |
| TOTAL of the CMA | 1997 | 9,128,751 | | 97,146 | | | 56,346 | | | | 225,081 | | | | |
| | 1998 | 9,404,910 | 3.0 | 96,744 | -1.4 | | 53,680 | -4.9 | | | 215,134 | -4.4 | | | |
| | 1999** | 9,601,380 | 2.1 | 94,605 | -1.2 | | 52,547 | -2.1 | | | 215,601 | 0.2 | | | |

** Multiple Listing Service (MLS) is a registered certification mark owned by the Canadian Real Estate Association*
*** 1999 values are CMHC forecasts.*
*[a] Average MLS price*
*[b] Single-family units less condo units*
*[c] Singles and semi-detached units*
*[d] Data from Teela*
*[e] single family units*

*Sources: CMHC, Statistics Canada*

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# Home-buying profile and preferences of young households: a comparative look at the five major centres

*The 1998 **Survey of Intentions to Buy or Renovate** helped CMHC assemble a profile of potential home buyers and identify the aims and characteristics of a number of sample households in five major urban centres across Canada. This article looks at the characteristics of households aged 30 years or younger who are interested in home ownership.*

## *Profile of young households seeking to buy a home*

As could be expected, an overwhelming majority of young urban households interested in buying a house are now renters. However, many already own homes.

**Data on households with at least one maintainer aged under 30**

| | % that now rent | % with income < $40,000 | % with income $40,000 to $60,000 | % with children |
|---|---|---|---|---|
| Halifax | 84.8 | 39.1 | 34.8 | 31.9 |
| Montréal | 92.9 | 28.2 | 46.2 | 41.5 |
| Toronto | 84.1 | 27.1 | 25.4 | 27.4 |
| Calgary | 87.4 | 28.9 | 32.2 | 25.3 |
| Vancouver | 74.0 | 22.4 | 38.8 | 34.0 |
| 5 centres | 85.1 | 29.8 | 35.3 | 30.5 |

The income distribution of young households that are actively interested in buying a home is not unlike that of older potential buyers. Proportionally, however, a greater number of older households are in the higher income ranges. The data suggest that young households do not seriously consider buying a home until they have attained a certain income level.

**Young renter and home owner households - five major markets**

| | % with income < $40,000 | % with income $40,000 to $60,000 | % with children |
|---|---|---|---|
| Renters | 31.1 | 35.3 | 47.8 |
| Homeowners | 22.0 | 36.6 | 27.0 |
| Total | 29.7 | 35.5 | 30.1 |

## *What kind of housing attracts young households the most?*

Young households seeking a home show a strong preference for single-family houses[1]. Those few who are interested in condominium housing are households with no more than two people.

**Young household preferences for single-family housing**

| | % preferring a new house | % preferring an existing house | total % preferring single-family housing |
|---|---|---|---|
| Halifax | 36.9 | 36.9 | 73.8 |
| Montréal | 33.3 | 57.1 | 90.4 |
| Toronto | 42.8 | 41.3 | 84.1 |
| Calgary | 36.9 | 47.3 | 84.2 |
| Vancouver | 32.0 | 36.0 | 68.0 |
| 5 centres | 37.0 | 43.4 | 80.4 |

[1] this survey defines single-family houses as homeowner units—that is, detached, semi-detached and row homes held under freehold tenure.

A strong trend noted in all centres is the consistency in the preference of young households—particularly the vast majority of renter households—for existing homes. The survey brought out some other trends as well. In Toronto, for example, new homes attracted 60 per cent of young households that were already home owners, but only 39 per cent of young renter households. This trend shows that young move-up buyers generally head towards the new home market. Similar trends were noted in Calgary and Vancouver.

The survey did not, however, show any strong link between other factors, such as income, household size and number of children in the household, and the decision to enter the single-family or condominium home market.

## *How much are young buyers willing to pay?*

Just how much young households expect to pay for a home varies from one centre to another. Market conditions in Toronto and Vancouver, for example, lead the vast majority of households to expect to pay from $151,000 to $200,000. Buyers in the other three markets are prepared to pay less, between $100,000 and $150,000.

**Purchase-price expectations of young households**

| | Most common price range | Expected by what percentage of respondents |
|---|---|---|
| Halifax | $100,000-$150,000 | 51.1 |
| Montréal | $100,000-$150,000 | 59.0 |
| Toronto | $151,000-$200,000 | 37.5 |
| Calgary | $100,000-$150,000 | 55.2 |
| Vancouver | $151,000-$200,000 | 33.3 |
| 5 centres | $100,000-$150,000 | 42.6 |

Some trends were uniform across the country. For instance, young households who are already home owners normally want to buy a home that is worth more than the one they are currently occupying. The equity accumulated over the years often enables them to buy a more expensive home without incurring a higher financial risk.

**Young owner households looking for a home with a higher value**

| | % of respondents |
|---|---|
| Halifax | 71.4 |
| Montréal | 25.0 |
| Toronto | 40.0 |
| Calgary | 69.2 |
| Vancouver | 57.1 |
| 5 centres | 58.7 |

The amount that a young household expects to pay for housing does not seem to depend on whether there are children or on the number of people in the household. The vast majority of respondents seem to feel that extra space in the basement will be able to satisfy additional needs that might arise (if, for example, children are born).

This is not the case in Vancouver, where households with additional people seem to be more willing to spend more for a house. Considering the higher cost of housing than in most urban centres, the significantly higher cost for a more appropriate home is not surprising.

### *How important is household income for young house-seekers?*

Although the number of observations in each urban centres was too small to guarantee a reliable sample, there does seems to be a correlation between the expected cost of a home and household income. Households with low incomes generally turn to less expensive homes; households with higher incomes opt for more expensive houses.

### *How big a home would these home buyers like?*

About 19 per cent of young home-buying households would like a surface area of between 1,200 and 1,600 square feet. Most homes that are accessible to most young households fall within this range. Size preferences, however, do not seem to be well defined, as the following table shows.

**Percentage of young households seeking homes with a particular surface area**

| Surface area in square feet | % of home owners | % of renters | % of all households |
|---|---|---|---|
| < 1,200 | 6.5 | 19.1 | 17.2 |
| 1,200-1,600 | 21.7 | 16.8 | 17.5 |
| 1,600-2,000 | 26.1 | 10.5 | 12.9 |
| 2,000-2,500 | 10.9 | 8.2 | 8.6 |
| > 2,500 | 15.2 | 9.8 | 10.6 |
| N/A | 19.6 | 35.5 | 33.1 |

Young households that are already home owners have a better-defined need for larger homes. They outnumber renters in all ranges in the table, except in the smallest category. ■

***Other profiles adapted to your needs are possible thanks to the data from this CMHC survey. For more information, please contact us by telephone at (613)748-2582 or by e-mail at the following address: intention@cmhc-schl.gc.ca***

## Definitions:

### *LOCAL HOUSING MARKET INDICATORS (Pages 3 & 4)*

***Total Employment***
The number of people employed in the CMA in all industries in a given year.

***Total Housing Starts***
Total number of starts for all housing types for the year.

***Single Housing Starts***
Total number of single housing units initiated during the year.

***New House Price Index***
A measure of change in the prices charged by contractors for new residential houses whose detailed specifications remain the same between consecutive periods.

***Single New House Price***
The weighted average price of all units sold during the year.

***Number of MLS Sales (residential)***
Total number of sales for all types of residential dwellings sold through MLS for the year. This number is supplied by local real estate boards.

***Single MLS Average Price***
Weighted average price of single detached homes sold through MLS for the year. Price data is supplied by local real estate boards.

***Three-Unit plus Apartment Structures Vacancy Rate***
Overall private market vacancy rate reported in CMHC's Rental Market Survey for October.

# Living in the city: lasting trend or just a fad?

***by Alain Miguelez, Market Analyst, Ottawa Branch Office***

*Throughout this decade, to reduce increasingly onerous infrastructure and service costs, most large cities in Canada have taken steps to contain urban sprawl. The issue has become more acute over the past three years in provinces where municipal governments have assumed a larger share of the responsibilities for urban services. Cities are now generally encouraging more development in existing built-up areas.*

Some builders have greeted these initiatives with skepticism, citing market demand for housing in the suburbs at more affordable prices and in a more peaceful environment. Some analysts, on the other hand, have observed that the Canadian demographic profile lends itself to increased interest in urban housing.

They point to the baby-boom generation: now that the children have left home, this sizeable group of Canadians are generally ready for houses that are smaller and easier to maintain. As well, many baby-boomers wish to reduce commuting time and to live in a neighbourhood where services and stores are within walking distance. This generation is also financially better off than the previous one and is willing to pay a premium for desirable housing.

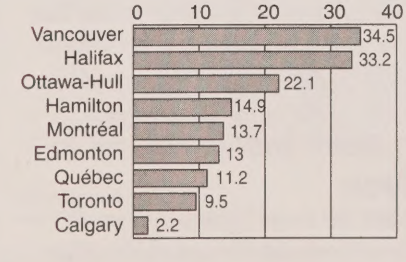
And they point to Generation-Xers, a very different type of consumers when it comes to housing. They buy at a later age, they want minimum maintenance and maximum convenience, and their preferred investment instrument is the RRSP as opposed to a home, so they're prepared to rent until they find a home that suits them.

Just what these generational preferences might mean for the Canadian housing market remains to be seen. We may, however, get some clues from a review of housing starts in the central cities of large Canadian metro areas between 1994 and 1998.[1,2]

## Vancouver: the Best Example

There was more construction in the central neighbourhoods of the coastal metropolitan areas—that is, in those of Vancouver and Halifax—than anywhere else in Canada. The percentage of housing starts in the metropolitan area that were in the central city increased in both cities during the study period. In Vancouver, the percentage jumped from 28.4 per cent in 1994 to 34.5 per cent in 1998. Only part of the reason can be explained by the geography of the area, where mountains and the sea limit growth. In this vast metropolitan area, with congested roads, the downtown condominium market continues to do well. Still, it is interesting to note that according to the latest buying intentions survey, potential buyers in Vancouver consider a neighbourhood to be the most important factor in choosing a home. Buyers in this market are interested in a lifestyle, in addition to a house that suits them. The individuality of every urban neighbourhood influences the way that its homes are marketed.

**Central city housing starts as percentage of metropolitan totals, 1998**




*Source : CMHC*

## Halifax: Another Typical Case

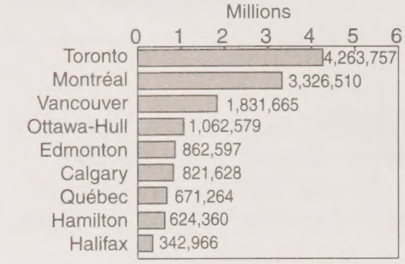
On the other coast, one-third of housing starts in the Halifax Regional Municipality were in the former City of Halifax last year, compared with 24.1 per cent in 1994. Leading the growth in the market are those upper end households looking to buy or rent, and they seem to favour districts that offer a distinct neighbourhood life like South Peninsula. Evidence of this trend can be seen in the strength of resales in the area along with a falling rental vacancy rate despite the addition of 300 apartments in the area during this period. The recent strength of the local economy has further increased demand for more expensive homes in the core area.

The two coastal examples are not unique in Canada. In the National Capital area, the market share of the central cities of Ottawa and Hull rose from 15.3 per cent in 1994 to 22.1 per cent last year. There is still some undeveloped land outside the centre of Hull, where home prices are competitive with those in the Outaouais suburbs, but there is little construction in the downtown area of Hull itself. In Ottawa, the ambitious intensification strategy introduced by the metropolitan government seems to be bearing fruit. There is now renewed interest in vacant land in the central city, and in building downtown generally. Townhouses and

1 The choice of the benchmark years was deliberate: until the beginning of this decade, central cities generally presented large volumes of construction, including a large proportion of subsidized rental housing. This article focuses on privately initiated housing.

2 *Central cities* is the term that will be applied throughout the article to refer to the core of a metropolitan area. In Québec, Montréal, Ottawa-Hull, Hamilton and Vancouver, the term refers to the actual central city municipalities. In Halifax, the term refers to the pre-amalgamation City of Halifax. In Toronto, it includes the former cities of Toronto, York and East York. In Edmonton and Calgary, we refer to the core area of the central city (beyond the downtown and including surrounding residential neighbourhoods) as defined in consultation with local CMHC analysts.

**Metropolitan populations (1996)**




*Source : Statistics Canada*

lofts seem to be particularly attractive to baby boomers and young high-technology workers.

Housing starts have dropped in the central city of Hamilton over the last four years, from 26.2 per cent of all metropolitan starts to 14.9 per cent. Even with some conversions of downtown rental housing units into condominiums, the bulk of the construction took place in the outskirts. Hamilton is a unique case, however, as its market is strongly influenced by demand from Toronto. The whirl of construction that results in areas to the north-east of Hamilton (Burlington, Ancaster, Flamborough) somewhat distorts the statistics for the Hamilton area itself.

## The Situation in Montréal and Toronto

In the country's two largest metropolises, the central cities have increased their share of housing starts. In Montréal, it rose from 12 per cent of metropolitan starts in 1994 to 13.7 per cent in 1998. In Toronto during the same period, the proportion increased from 7.3 per cent to 9.5 per cent. The percentages are smaller than in other cities because of the vastness of these two metropolitan areas, but the trend is still upward.

In both cases, the markets have long been used to the pace of a large city, and there have always been many buyers for a downtown lifestyle. But recently, some interesting and huge residential projects have risen on former industrial lands—for example, the Angus site in Montréal and the King-Parliament and King-Spadina areas in Toronto. All of these projects are performing well on the market. In Montréal, urban dwellings are attracting Gen-Xers as well as people who work downtown, more than baby-boomers. The condominium market, particularly in Toronto, and the loft segment in Montréal, are doing well thanks to the very popular urban lifestyle offered in both cities, as well as the significant commuting time savings offered by a residence in the city centre.

## Québec Has the Necessary Features... but Lacks Space!

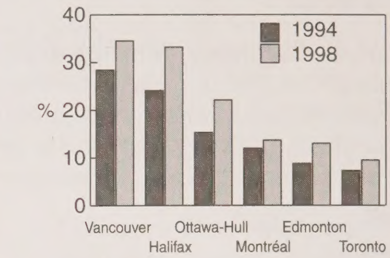
Lifestyle attractions also seem to be at play in Québec, where the Basse-Ville and Vieux-Port areas show renewed vitality. However, the proportion of new homes started in the central city fell from 20.6 per cent in 1994 to 11.2 per cent last year. Here, new construction is limited by the scarcity of vacant lots downtown. Still, several initiatives exist to revitalize the downtown district, and every year sees another 150 to 200 new condominium units resulting from commercial building conversions.

Recent property tax reforms in Alberta, particularly the introduction of market value assessment, have added to the cost of new home construction in downtown districts. In Edmonton, where incentives have been offered to builders who wish to construct homes in urban environments, the proportion of urban housing starts went up from 8.8 per cent in 1994 to 13 per cent in 1998. In Calgary, however, the market is resolutely geared towards new home construction in the suburbs. In fact, the City provides incentives for businesses to locate in the outlying areas. The share of total activity garnered by the central districts of Calgary has varied little in the last few years, remaining at around 2.2 per cent.

## A Trend that Is Bound to Grow

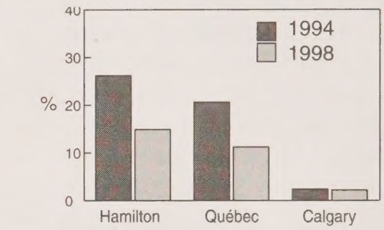
What do these figures suggest? Apart from Québec and Hamilton and their exceptional circumstances,

**Metropolitan areas where the share of housing starts in the central city has increased (1994 and 1998)**




*Source : CMHC*

**Metropolitan areas where the share of housing starts in the central city has decreased (1994 and 1998)**




*Source : CMHC*

Calgary is the only large Canadian city that shows such a clear preference for housing in the suburbs. Central city housing is on the rise in all other large centres, including the four metropolitan areas with over a million residents.

The markets in the large Canadian cities now seem to be supporting a greater variety of housing options, and location remains important. Baby-boomers appear to be rediscovering a taste for neighbourhood life, urban living, proximity to services, and homes requiring minimal maintenance. Generation-Xers will also fuel the urban market with their particular tastes. This will favour renewed residential growth in the central areas of Canada's large cities. With the evolution of the demographic pyramid, this trend is likely to firm up over the next few years. ■

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CANADA MORTGAGE AND HOUSING CORPORATION

CANADIAN HOUSING MARKETS

CMHC Market Analysis Centre

First Quarter 1999

# Regional centres: 1998 housing market trends; what to expect in 1999

*With 1998 in the books, we can glance back at what happened in five regional centres last year and see what that performance might say about the future. After encouraging signs of strength last year, Halifax and Montréal will continue to improve in 1999. Toronto was stable last year, but will lead the way in 1999. Out west, Calgary will slip after two years of robust growth and Vancouver will slide a little more in 1999.*

Each of these five centres typifies a major trend in Canadian housing markets. Halifax is expected to lead Atlantic Canada as it returns to strength. After many years in transition, Montréal is also getting stronger, mainly because of growth in the high technology sector; this movement is reflected in housing.

In sheer numbers, Toronto is the national leader, accounting for around 20 per cent of starts coast to coast and for more than half of those in Ontario. Calgary, which has quickly risen to the forefront of corporate Canada, easily claimed the title of hottest housing market in the past two years. The big question now is whether this run can be sustained.

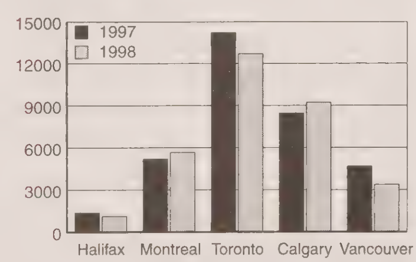
After escaping unscathed from the 1990-91 slowdown, Vancouver is now feeling recession-like symptoms and has fallen behind the pack. Prices are on the way down and new building has slowed considerably, but the bottom appears near.

## *Starts by house type*

Only Montréal and Calgary recorded higher single-detached starts in 1998 than in 1997. In Montréal, singles construction rose 8.7 per cent to 5,657 starts and accounted for more than half of all starts in the city. This type of housing continues to be popular largely because it is still an affordable alternative, a situation that does not pertain in more expensive cities like Vancouver and Toronto.

Strong population growth in Calgary has generated demand for all types of housing, but the market has been dominated by singles, which rose 6.5 per cent to 9,219 units last year. As in Montréal, singles in Calgary accounted for the bulk (around 75 per cent) of residential construction last year. This is much higher than in Vancouver, where singles accounted for just 28 per cent of all starts.

**Single-detached starts by city**




*Source: CMHC*

Semi-detached construction last year rose only in Toronto, where it went up by 23.4 per cent, and Calgary, where it improved by 7.8 per cent. However, the proportion of each market represented by semi-detached construction is quite different: 12 per cent in Toronto and only 4 per cent in Calgary. As well, more than half of semi-detached units in Calgary were condominiums, compared with less than 5 per cent in Toronto. Semi-detached construction declined most sharply in Montréal and Halifax.

Starts of row units declined in four of the five cities; Halifax, the only centre to buck the trend, recorded only a modest gain in row condominiums. Row condominiums were also more popular in Montréal, but not enough to offset a sharp drop in row units intended for the home ownership market. This was



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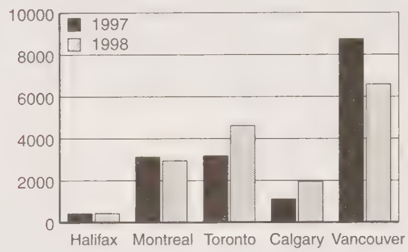
exactly the reverse of the pattern in Calgary, Vancouver and Toronto, where starts of row condominiums were the main source of weakness and where starts of row units intended for the home ownership market gained a little. Nonetheless, row housing continued to be a significant housing alternative, especially in Toronto, where the 5,361 units started last year represented about 20 per cent of the market. They were second only to singles in popularity.

As expected, apartment construction was strongest in Toronto and Calgary. Apartment construction accounted for 18 per cent of all starts in Toronto, behind singles and rows, and for 16 per cent of all starts in Calgary, second only to singles. However, despite tight rental vacancy rates of less than 1.0 per cent in both cities, the bulk of these units hit the condominium market and not the rental market—nearly 2,000 in Calgary and almost 4,500 in Toronto.

The largest market for apartment construction continues to be Vancouver. More than half of all new units in that city last year were apartments, and apartment starts were nearly double those of singles. Not surprisingly, more than 90 per cent of apartment units started in Vancouver last year were condominiums, with Downtown and West Vancouver being the most popular areas for new condominiums.

In 1999, we can expect fewer singles in Calgary and Vancouver, but more in Halifax and Montréal. As condominiums continue to gain popularity, look for multiples—particularly apartment units—to lead the way in Calgary and Toronto. As well, since only 231 rental units were started in both Calgary and Toronto last year, more of these apartment units will hit the rental market in 1999 to meet growing demand. Overall, thanks to sound underlying economic fundamentals, Toronto will be the hottest of these five markets.

**Apartment starts by city**




*Source: CMHC*

## *Inventory by house type*

High inventories act as a drag on new construction for obvious reasons. When there is an excess of completed but unoccupied units of a specific house type in a market, builders either slowdown new construction or shift their focus to other products pending market demand.

Although Halifax showed the greatest decline in inventories among these five cities, builders there have been cautious, prefering to not build on spec, or without a firm committment from the buyer. That said, leaner inventories will allow builders there to respond quickly to the expected increase in demand this year. On the other hand, a sharp rise in inventories, as in Calgary last year, can suggest that new construction is likely to slow. This is especially true when combined with an expected slowdown in demand. Calgary inventories of all home types finished the year 65 per cent higher than 1997, but the number of completed and unoccupied multiple units almost tripled, suggesting that fewer of these house types will be built in 1999.

Despite a sharp slowdown in starts activity last year, Vancouver ended the year with inventories of completed and unoccupied dwellings up more than 12 per cent from 1997. This increase in inventory suggests that builders were simply unable to adjust their plans as quickly as the market dictated they should in 1998.

This type of pattern accentuates the building cycle. Builders tend to lag behind demand and then rapidly hammer up units, causing a sharp upward spike in activity. Similarly, builders are slow to adjust inventories in the face of lower demand, but then abruptly stop new construction, causing a sharp downward spike in activity. These delays at opposite ends of the cycle often reflect sound business reasons. For instance, in a market turn, builders are unlikely to walk away from site developments and a large commitment of resources, especially with today's relatively low financing costs. In any case, as long as the Vancouver market remains soft, builders will build only to market demand and inventories will slow in 1999.

Fewer starts in both Vancouver and Calgary this year should keep inventories stable or leaner. More supply will likely be added in Halifax and Montréal, which have the slimmest inventories, and the bulk of the additions there will be singles rather than multiples. Toronto inventories, which showed only a modest rise last year, will likely grow a little more this year, with a balanced mix of house types.

## *Absorbed prices for single and semi-detached homes*

After a surge in first-time buying in late 1996 and most of 1997, move-up buying was expected to be the biggest component of new housing demand in 1998. This trend turned out to be most apparent in Halifax, Montréal and Calgary, where new

home buyers were prepared to pay more than they were in the previous year. This trend actually shifted the distribution of demand, as the number of new units sold or rented declined in the lower price ranges but increased at higher prices.

Thus, in Halifax, where the majority of new single-detached sales ranged between $100,000 and $150,000 last year, demand for those priced below $150,000 fell sharply and demand for new singles in the $150,000-$200,000 range jumped 45 per cent. Even more telling, demand for those worth $300,000 or more quadrupled over that of the previous year.

The pattern was repeated in Montréal and Calgary. In Montréal, demand for new singles with price tags of $300,000 or more leaped by 75 per cent. In Calgary, sales of singles priced below $150,000 declined 16 per cent. Although new home purchases were up in most price ranges beyond the $200,000 mark, demand was nearly 40 per cent higher for singles priced at $300,000 or more. Also noteworthy in Calgary, demand for semi-detached units in the $200,000-$350,000 range increased by 74 per cent.

Buyers of new homes in Toronto and Vancouver didn't make as big a splash. Singles absorptions in Toronto were mainly confined to the popular $200,000-$300,000 bracket, with activity generally reduced in the other price ranges. There did, however, appear to be more move-up interest in the semi-detached market, where demand for units in the $200,000- $250,000 bracket was 46 per cent higher than in 1997. That said, the most popular range for semi-detached units in Toronto is the more affordable $150,000-$200,000 range, which appeals to first-time buyers and accounted for nearly three quarters of all semi-detached absorptions in this city last year.

In Vancouver, movement in the price range for new singles was much less pronounced and very mixed. Units priced $350,000-$450,000 witnessed a modest gain of about 5 per cent. Overall, absorptions were down, and declines were distributed fairly evenly throughout the price range. The same held true in the semi-detached market, where the most active price range, $150,000-$250,000, finished the year with a 6.0 per cent increase in absorptions.

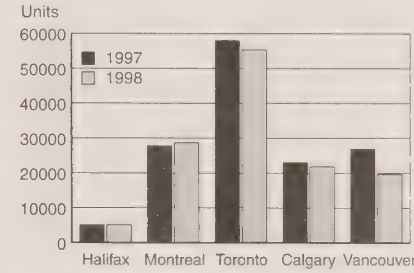
First-time buyers will continue to be most prominent in Toronto in 1999. Halifax and Montréal are on track for a repeat of 1998, while the bulk of buying activity in Calgary and Vancouver will shift a little lower in the price range.

### *Existing home market*

In Halifax, the combination of a modest 1.1 per cent rise in resales and a 9.7 per cent decline in the number of new listings resulted in a surprisingly robust gain of about 4.0 per cent in the average price. Even with stable growth in demand for existing homes, fewer new listings translates into less choice for potential home buyers, increasing the potential for bidding contests on choice properties in select neighbourhoods. Tightening resale market conditions in Halifax are expected to continue in 1999, supporting price gains similar to last year's.

Similarly in Montréal, a 3.1 per cent rise in existing home sales and an 8.5 per cent decline in new listings tightened market conditions enough to push the average price up 3.0 per cent. As in Halifax, the gain in average price was compositional or a result of move-up buying, and did not reflect a strong upward trend in prices. The

**Existing home sales by city**




*Source: CREA, CMHC*

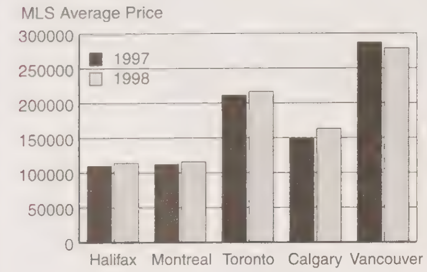
Montréal market should tighten a little more in 1999, paving the way for an increase in prices similar to last year's.

Calgary's 9.3 per cent average resale price increase may have been the biggest in the country. The magnitude of the increase was surprising, since resales declined 5.1 per cent for the year and the number of new listings actually ended the year 10.8 per cent higher. This mix of indicators strongly suggests that move-up buying was a major factor in Calgary last year. Although total sales were lower, the higher number of transactions at higher prices pushed the average price higher over the course of the year.

When prices rise so sharply, more potential sellers enter the market, hoping to capitalize on the higher home values, and the number of new listings increases. Demand is bound to drop off sooner or later, and increased supply inevitably chokes further price gains. This will be the story for Calgary in 1999.

The resale market in Toronto provided little excitement in 1998. There was a 4.6 per cent drop in the number of existing homes sold, to 55,344, and new listings retreated 2.0 per cent to 85,657 units. Even with fewer sales, the average price did gain 2.6 per cent, but this gain could have come about with the sale of only a few very expensive homes during the year. Improving

### Average price by city




*Source: CREA, CMHC*

economic fundamentals should spur additional resale activity in 1999. One of the key ingredients could be the performance of the stock market, which typically drives the high-end market in Canada's financial capital.

Vancouver laid claim to the slowest resale market of these five cities in 1998. Sales (-27.2 per cent), new listings (-11 per cent) and average price (-2.9 per cent) all declined sharply. However, even this market has the potential to firm a little in 1999. Recent data showing that potential buyers are, for the first time in many years, in a position to capitalize on lower home prices suggests an improvement in the supply-demand balance. This trend should translate into more sales in 1999, but it will not be sufficient to boost prices.

Look for tighter existing home markets and modest price gains in Halifax, Montréal and Toronto. Demand from move-up buyers in Calgary will wane in 1999, eroding any chance of a repeat price performance. Vancouver will see a mild turnaround in resales, but prices will vary between stable and lower in 1999. ■

### The difference between 1998 and 1999

| Housing Indicators | Halifax | Montreal | Toronto | Calgary | Vancouver |
|---|---|---|---|---|---|
| Single starts | ↑ | ↑ | ↑ | ↓ | ↓ |
| Multiple starts | ↑ | ↑ | ↑ | — | ↓ |
| Total starts | ↑ | ↑ | ↑ | ↓ | ↓ |
| New home Inventories | ↑ | ↑ | ↑ | — | ↓ |
| New home prices | — | — | ↑ | — | ↓ |
| Resales | — | — | ↑ | ↓ | ↑ |
| New listings | ↓ | ↓ | ↑ | — | — |
| Average price | ↑ | ↑ | ↑ | ↓ | ↓ |

— Stable or flat from 1998 ↑ Up from 1998 ↓ Down from 1998

### Starts by type

| | Singles | | | Semi | | | Row | | | Apartment | | | Total | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1997 | 1998 | % | 1997 | 1998 | % | 1997 | 1998 | % | 1997 | 1998 | % | 1997 | 1998 | % |
| **Halifax** | 1385 | 1125 | -18.8 | 200 | 111 | -44.5 | 58 | 66 | 13.8 | 422 | 437 | 3.6 | 2065 | 1739 | -15.8 |
| **Montreal** | 5203 | 5657 | 8.7 | 1136 | 862 | -24.1 | 1028 | 826 | -19.6 | 3141 | 2948 | -6.1 | 10508 | 10293 | -2.0 |
| **Toronto** | 14203 | 12696 | -10.6 | 2619 | 3232 | 23.4 | 5569 | 5361 | -3.7 | 3183 | 4621 | 45.2 | 25574 | 25910 | 1.3 |
| **Calgary** | 8656 | 9219 | 6.5 | 488 | 526 | 7.8 | 954 | 792 | -17.0 | 1117 | 1958 | 75.3 | 11215 | 12495 | 11.4 |
| **Vancouver** | 4685 | 3373 | -28.0 | 726 | 656 | -9.6 | 1800 | 1261 | -29.9 | 8739 | 6588 | -24.6 | 15950 | 11878 | -25.5 |

### Single-detached absorptions by price range

| 1997 | <$100 000 | $100-149999 | $150-199999 | $200-249999 | $250-299999 | $300-349999 | $350-399999 | $400-449999 | $450-$499999 | >$500,000 | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Halifax** | 216 | 873 | 221 | 44 | 30 | 5 | 6 | 1 | 1 | 1 | 1398 |
| **Montreal** | 1252 | 2614 | 746 | 240 | 127 | 60 | 41 | 9 | 10 | 5 | 5104 |
| **Toronto** | 0 | 172 | 1703 | 3823 | 3168 | 1651 | 692 | 330 | 214 | 684 | 12437 |
| **Calgary** | 56 | 2746 | 3070 | 889 | 376 | 170 | 145 | 58 | 31 | 52 | 7593 |
| **Vancouver** | 6 | 26 | 10 | 376 | 779 | 759 | 655 | 440 | 377 | 1507 | 4935 |
| **1998** | <$100 000 | $100-149999 | $150-199999 | $200-249999 | $250-299999 | $300-349999 | $350-399999 | $400-449999 | $450-$499999 | >$500,000 | Total |
| **Halifax** | 141 | 596 | 320 | 48 | 51 | 20 | 21 | 6 | 3 | 6 | 1212 |
| **Montreal** | 1024 | 2624 | 879 | 343 | 185 | 118 | 47 | 21 | 16 | 17 | 5274 |
| **Toronto** | 0 | 124 | 1316 | 4154 | 3376 | 1342 | 608 | 295 | 219 | 613 | 12047 |
| **Calgary** | 4 | 2349 | 4179 | 1396 | 640 | 259 | 156 | 76 | 52 | 86 | 9197 |
| **Vancouver** | 8 | 15 | 10 | 375 | 494 | 748 | 689 | 457 | 291 | 945 | 4032 |
| **1997-98 %** | <$100 000 | $100-149999 | $150-199999 | $200-249999 | $250-299999 | $300-349999 | $350-399999 | $400-449999 | $450-$499999 | >$500,000 | Total |
| **Halifax** | -34.7 | -31.7 | 44.8 | 9.1 | 70.0 | 300.0 | 250.0 | 500.0 | 200.0 | 500.0 | -13.3 |
| **Montreal** | -18.2 | 0.4 | 17.8 | 42.9 | 45.7 | 96.7 | 14.6 | 133.3 | 60.0 | 240.0 | 3.3 |
| **Toronto** | n/a | -27.9 | -22.7 | 8.7 | 6.6 | -18.7 | -12.1 | -10.6 | 2.3 | -10.4 | -3.1 |
| **Calgary** | -92.9 | -14.5 | 36.1 | 57.0 | 70.2 | 52.4 | 7.6 | 31.0 | 67.7 | 65.4 | 21.1 |
| **Vancouver** | 33.3 | -42.3 | 0.0 | -0.3 | -36.6 | -1.4 | 5.2 | 3.9 | -22.8 | -37.3 | -18.3 |

*Source: CMHC*

# Increased rents and occupancies on main rental markets in Canada

*CMHC's 1998 Rental Market Survey showed lower vacancy rates and therefore higher occupancies across Canada. This article aims to identify the rent levels that gained the most occupants, and to interpret these gains for market watchers.*

Strong economic growth and job creation resulted in generally lower apartment vacancy rates across Canada in 1998. These positive factors led many new households to look for a rental unit, snatching up available units and reducing vacancies. At the same time, the supply of new rental units changed little; there was limited rental construction and continued conversion of rental units to home ownership units.

In the country's five main housing markets, apartment vacancy rates went down in Halifax and Montréal, stabilized in Toronto, and were up in Calgary and Vancouver.

## A move toward higher rent ranges

Despite divergent trends in vacancy rates, the distribution of occupied units by rent ranges shows interesting clues as to what might have happened in the main rental markets between 1997 and 1998.

Improved economic conditions and lower interest rates since late 1996 have affected housing activity in two major ways. Even as many young adults found their first stable job and acquired the financial means to rent their first apartment, many renters decided to become home owners.

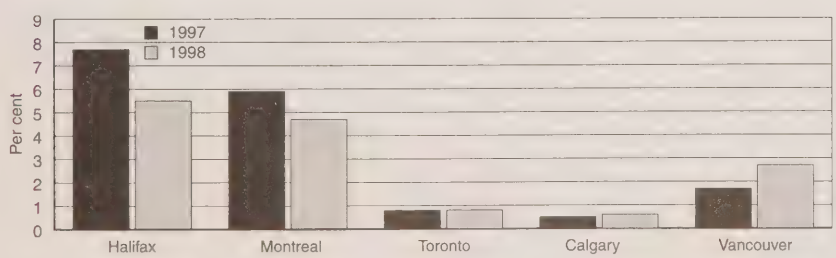
Renters with increased financial means have two options. They can move to a more expensive rental unit, or (in tight rental markets) they can stay and endure higher rents. These options help us understand why there was increased occupancy of units in higher rent ranges in 1998 than during the previous year.

## Where did it happen?

Demand shifted toward higher rent ranges in Toronto, Halifax, Montréal and Calgary.

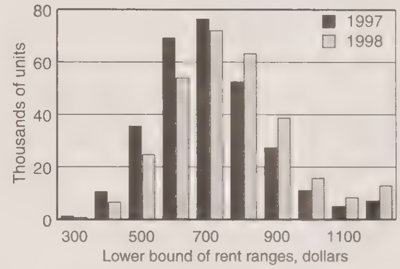
In Toronto, a brightly performing economy and a very tight rental market caused rents to increase significantly, generally from below $800 to over $800. Similar conditions in Calgary raised rents as well, but the break point was in the $600 rent range.

**Vacancy rate**
**Apartment structures of 3 units and more**



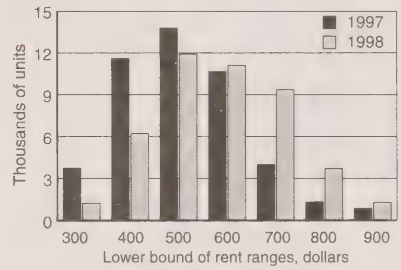

*Source: CREA, CMHC*

**Toronto**



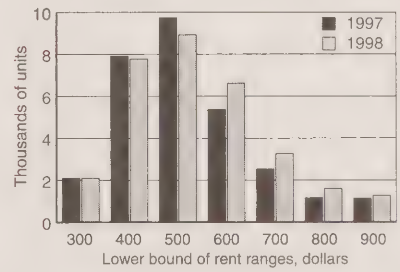

*Source: CMHC Rental Market Survey*

**Calgary**




*Source: CMHC Rental Market Survey*

**Halifax**



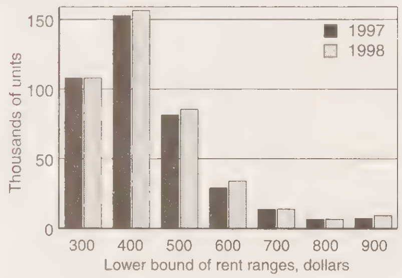

*Source: CMHC Rental Market Survey*

In Halifax, greater rental demand translated into additional occupancy of high-end units. The rent ranges over $600 posted the more interesting gains. Reflecting the strong dynamics of this market, total occupancy grew by 5.4 per cent, while total supply of units only grew by 2.7 per cent.

In Montréal, the number of occupied units increased substantially in the $600-$699 range. However, this shift toward higher rents was not as prominent as in Halifax and Toronto, since there are fewer renters in this range in Montréal. Overall, the Montréal rental market maintained or improved occupancy levels across most rent ranges in 1998.

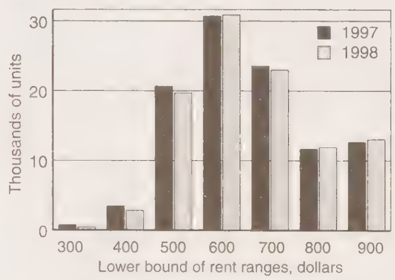
Vancouver is the only exception among the main centres. Its rental market loosened over the past year as a result of lower economic performance and out-migration toward Alberta.

**Montreal**




*Source: CMHC Rental Market Survey*

**Vancouver**




*Source: CMHC Rental Market Survey*

**Comparative rental market data, November 1998**

| Metropolitan Area | 12-month per cent change, average rent (1) | 12-month per cent change, rented accomodations (2) |
|---|---|---|
| Halifax | 2.4 | 0.2 |
| Montréal | 1.6 | 0.9 |
| Toronto | 7.3 | 1.4 |
| Calgary | 11.3 | 4.0 |
| Vancouver | 2.1 | 0.8 |

*Sources: CMHC, Statistics Canada*

(1): Average rent for a two-bedroom apartment

(2): Rented accomodation component, Consumer Price Index

## Inflation not the main trigger

The data clearly indicate that more renters opted for higher-rent units than can be explained away by inflation. A quick look at the average rent for 2-bedroom apartments and at the rental accomodation component of the Consumer Price Index shows that actual rents paid increased at a much higher pace than a typical rented accomodation as defined by Statistics Canada. Renters in Halifax, Toronto, and Calgary showed the most interest for higher-end units.

Vacancy rates by rent ranges also show this voluntary move toward higher rents. Except in Calgary, the lower end of the market shows stable or increasing vacancy rates while lower vacancy rates exist at the higher end. Overall, most renters are willing to pay for the quality of a unit.

## Implications for market watchers

Lower vacancy rates across Canada indicate more balanced conditions in most rental markets. Further, units occupied by rent ranges provide interesting information on the pool of renters:

- There were slightly more renters in Canada's main urban centres in 1998 than in 1997.
- More renters chose to live in apartments with higher rents in 1998 than in 1997.

These conclusions are encouraging for rental unit owners and renter-oriented marketers and are especially heartening at at time when low house prices and mortgage rates have enticed many high-end renters into becoming home owners. ■

# Potential buyers reveal their intentions—and their reasons

*"What do you plan to do?" is the question market researchers ask. "What might make you change your mind?" is the question that puts CMHC's latest market survey in a class of its own.*

Most data-collection and market research surveys focus on what respondents have done and plan to do. CMHC's Consumer Intentions to Buy or Renovate a Home survey goes further. It asks what households plan to do and then asks what factors might make them change those plans. When applied to a sample size of 3,000 households per city, the result is a powerful magnifying glass examining housing markets in Halifax, Montréal, Toronto, Calgary, and Vancouver, and showing parallels that can be drawn for other cities.

The researchers offered three main types of factors that might make respondents change their minds: economic, such as job or financial situation and interest rates; housing market, such as home prices, unit types and market conditions; and personal, such as family changes, health, and lifestyle preferences. They also allowed for other reasons. Of the three main reasons, economic factors are often the most significant, but the industry is not usually in a position to affect personal finances. Housing market considerations are likely to be of greatest interest within the industry, since these point to areas where it might be possible to significantly affect consumer actions and attract interested households to a new home.

### What might cause you to delay purchasing a home?

Economic factors were the most frequently cited reasons for delaying the purchase of a home. As might be expected, the most likely single reason for a delay in buying a home was a change in financial or job situation. This was fairly consistent across centres, with only Halifax and Vancouver putting housing market factors first.

Among the specific economic reasons, interest rates appear to be a minor concern, with only 6.7 per cent of the five-city total suggesting that interest rates might cause a delay. Interestingly, 9.6 per cent of respondents say that nothing will delay their purchase.

The reports for the five cities contain market-specific details, such as the fact that personal reasons are cited most often by those in the highest income categories, and that renters are almost four times as likely as those who currently own a home to claim that economic factors might cause them to delay making a purchase.

### Why did you decide not to buy a new home?

Over the previous six months, 12.8 per cent of households had considered buying a home and decided not to buy. These households are of particular interest because it is reasonable to infer that changed circumstances could make them potential buyers.

Of course, these people offered many reasons for not purchasing a home. The most common were a change in financial or job situation, unaffordable prices, and a collection of personal reasons, such as satisfaction with their current home or the fact that they had recently bought another home. Other

**Circumstances that might delay purchase of a home**

| Reasons | Halifax | Montréal | Toronto | Calgary | Vancouver |
|---|---|---|---|---|---|
| Economic | 33% | 36% | 44% | 42% | 31% |
| Housing market | 36% | 28% | 19% | 27% | 38% |
| Personal | 9% | 4% | 8% | 10% | 5% |
| Other | 24% | 21% | 21% | 16% | 23% |
| Nothing will delay | 5% | 12% | 12% | 11% | 8% |

Note: Totals may add to more than 100% because multiple responses were accepted in the survey.

**Reasons for deciding not to purchase a home**

| Reasons | Halifax | Montréal | Toronto | Calgary | Vancouver |
|---|---|---|---|---|---|
| Economic | 50% | 54% | 49% | 37% | 48% |
| Housing market | 15% | 18% | 18% | 25% | 23% |
| Personal | 33% | 26% | 33% | 38% | 29% |
| Other | 5% | 5% | 6% | 4% | 4% |

Note: Totals may add to more than 100% because multiple responses were accepted in the survey.

### Reasons for considering the purchase of a home

| Reasons | Halifax | Montréal | Toronto | Calgary | Vancouver |
|---|---|---|---|---|---|
| Economic | 40% | 36% | 37% | 33% | 40% |
| Housing market | 16% | 12% | 13% | 18% | 17% |
| Personal | 38% | 43% | 38% | 39% | 36% |
| Other | 12% | 12% | 19% | 15% | 16% |

Note: Totals may add to more than 100% because multiple responses were accepted in the survey.

prominent reasons included high prices and inability to afford down payments.

## What might cause you to consider buying a home?

Most of those who had not even thought about buying in the last six months (76.9 per cent of households) gave two major reasons. While local details vary, almost four in ten said that they would consider buying if they experienced a change in their financial or job situation, and more than one of every four said that they are never moving again.

At the national level, there were two especially interesting findings among these responses. The first was that interest rates do not seem to affect the decision process for these households. Only 0.3 per cent listed interest rates as a factor that would cause them to consider buying. The second was that 5.2 per cent (one in seven of those who cited reasons other than a job change or never) would consider buying if they could find the right home in the right location. This finding points once again to the paramount importance of finding the right home in the right place. ■

***Consumer Intentions to Buy or Renovate a Home: A look at tomorrow's consumers today***
**is available in six separate Reviews covering each of the five cities (Halifax, Montréal, Toronto, Calgary, and Vancouver) and a National Review with an overview of all five.**

**Copies can be ordered from CMHC Business Centres in each of the five cities, or from the Market Analysis Centre at 613-748-2582 (fax 613-748-2156).**
**E-mail: intention@cmhc-schl.gc.ca**

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